

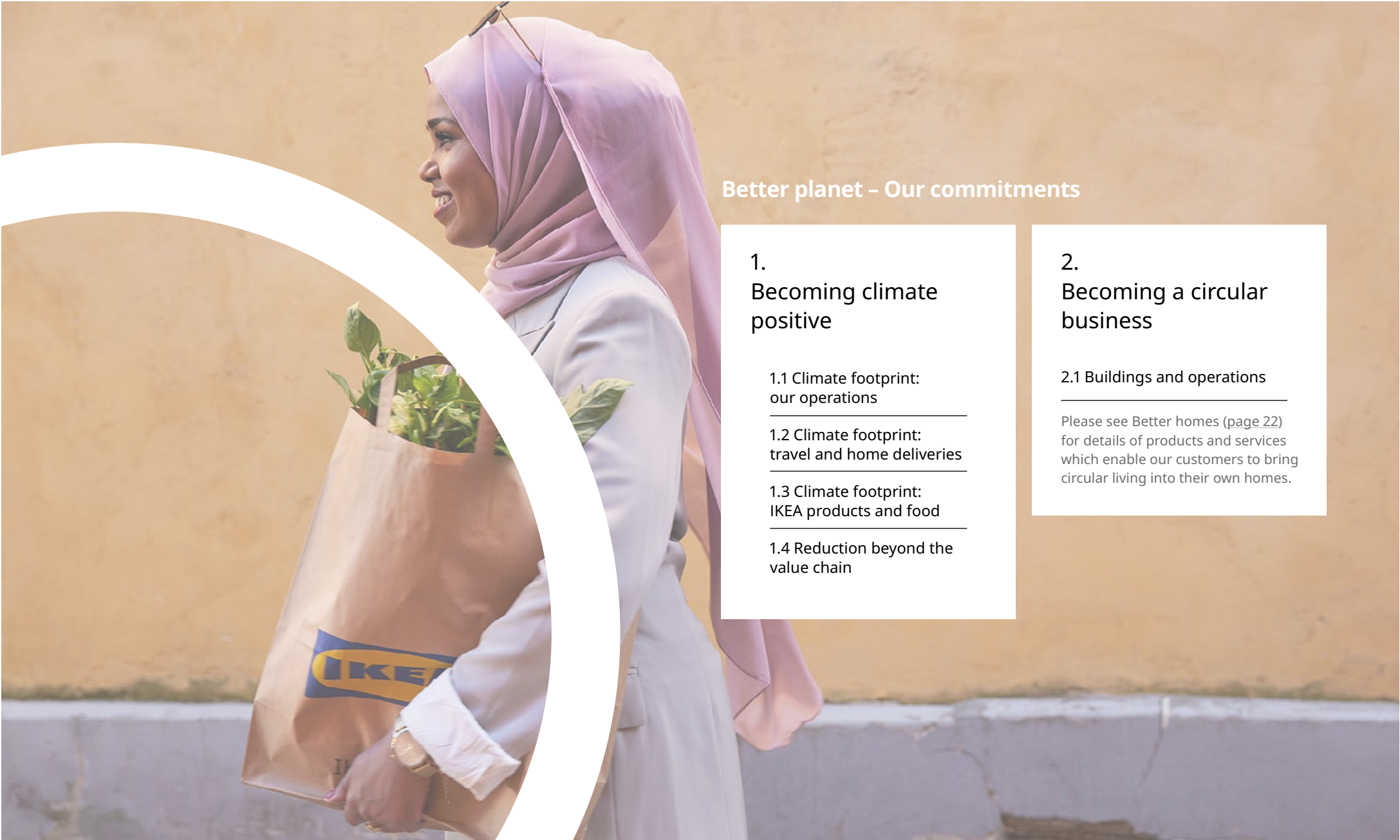


## Our progress **FY22**

We only have one planet, the home we all share. To achieve our vision for a better everyday life for the many people, we have to play our part in tackling climate change and creating a circular economy. And we have to act now.

# Better planet

INGKA<sup>™</sup>



Better planet – Our commitments

1.  
Becoming climate positive

- 1.1 Climate footprint: our operations
- 1.2 Climate footprint: travel and home deliveries
- 1.3 Climate footprint: IKEA products and food
- 1.4 Reduction beyond the value chain







2.  
Becoming a circular business

- 2.1 Buildings and operations
- Please see Better homes (page 22) for details of products and services which enable our customers to bring circular living into their own homes.

Overall Better planet performance

We are making good progress against our overall greenhouse gas reduction targets for 2030, which cover our scope 1 and 2 emissions, and our scope 3 emissions from travel, products and food. However, there are a number of

other targets which are not on track, and we are developing action plans to close this gap and speed up progress.

OUR TARGETS <sup>1</sup>	PROGRESS IN FY22	PERFORMANCE SUMMARY
<b>Climate footprint of our operations (scope 1 and 2)</b>		
Reduce absolute greenhouse gas emissions from our own operations (scope 1 and 2) by 80% by 2030 (from FY16) <sup>2</sup> .	 [ ON TRACK ]	In FY22, our greenhouse gas emissions from our own operations (scope 1 and 2) decreased by 32.3% against our FY16 baseline and by 23.0% since FY21. This was mainly due to an increase in use of renewable electricity.  Note: this is a science-based target (approved by the SBTi).
Use 100% renewable electricity in our operations by 2025.	 [ ON TRACK ]	In FY22, 74.2% of the electricity we used was from renewable sources <sup>3</sup> , compared to 69.1% in FY21.
Renewable heating and cooling systems in 100% of our buildings by 2030 <sup>4</sup> .	 [ NOT ON TRACK ]	We installed renewable heating and cooling at all 11 new sites opened in FY22, where we own the building or have operational control of the heating and cooling contracts. We also replaced gas heating systems with heat pumps in a handful of our existing units including in Evry in France and Adelaide and Rhodes in Australia. Our greenhouse gas emissions related to heating and cooling have decreased by 13.1% since FY21, but are still 3.6% above our FY16 baseline. In the coming years, we aim to improve our performance by implementing further energy efficiency measures and converting more of our buildings to renewable heating and cooling.
<b>Climate footprint of co-worker and customer travel, and home deliveries (scope 3)</b>		
All company owned, leased and shared vehicles used in our operations to be zero emission by 2025.	 [ NOT ON TRACK ]	We have purchased electric cars in 15 countries, but progress was limited by lack of availability of electric vehicles on the market. We have started to use fleet management services to track the transition towards zero emissions vehicles.
Reduce relative greenhouse gas emissions from customer and co-worker travel and home deliveries by 50% per person <sup>5</sup> by 2030 (from FY16).	 [ ON TRACK ]	We have achieved a 16.7% reduction in relative emissions from our FY16 baseline <sup>6</sup> and a 10.7% reduction from FY21. This is mainly due to our expansion in city centres, which has made our stores and meeting places more accessible and reduced the average journey time for our customers and co-workers. Note: this is a science-based target (approved by the SBTi).
All home deliveries made by zero emissions vehicles by 2025.	 [ NOT ON TRACK ]	In FY22, the proportion of home deliveries by electric or zero emission vehicles increased to 12.3% (FY21: 11.0%). Our progress in FY22 has continued to be impacted by difficult market conditions, including a lack of availability of electric vehicles and delays in receiving orders placed for new vehicles. We have marked this target as 'not on track' due to the current status of progress. In FY23 we will work to speed up progress towards our 2025 target.

<sup>1</sup> Data on scope 1 and 2 emissions and scope 3 transport emissions, which is used to track progress against relevant targets, is reviewed by our auditors as part of their assurance of our carbon data; see page 144 for the assurance statement and page 120 for further details of data in scope of the assurance. <sup>2</sup> This target covers our scope 1 and 2 greenhouse gas emissions which are responsible for 1.9% of our total climate footprint in FY22. This includes greenhouse gas emissions from energy use (1.7% of our total climate footprint) and other scope 1 and 2 activities relating to our operations, including refrigerants and company-owned vehicles. <sup>3</sup> This excludes the share of renewable electricity in Russia (which accounted for 8.4% of our total electricity in FY22) since we were unable to get evidence for the renewable electricity certificates. Our total electricity from renewable sources would have increased to 82.6% if this was included. See page 101 for more about changes to our operations in Russia. <sup>4</sup> Our renewable heating and cooling target covers scope 1 fuels for heating and scope 2 district heating and district cooling. It excludes refrigerant gases used in cooling systems and fridges/freezers. Our separate target on renewable electricity covers scope 2 electricity used for heat pumps. <sup>5</sup> Covers scope 3 emissions categories 6 (Business travel), 7 (Employee commuting) and 9 (Downstream transportation and distribution). <sup>6</sup> We measure emissions per trip rather than per person.



OUR TARGETS	PROGRESS IN FY22	PERFORMANCE SUMMARY
<b>Climate footprint of IKEA products and food (scope 3)</b>		
Contribute to a 15% reduction in the climate footprint of IKEA products and food by 2030, while still growing the IKEA business. Accounting for the estimated growth over the same period, this is equivalent to cutting the average climate footprint per product by an estimated 70%.	<div><div></div><div></div><div></div><div></div></div> <div>[ ON TRACK ]</div>	Ingka Group contributed to this goal by promoting IKEA products, food and services with a lower climate footprint and by providing renewable electricity to IKEA suppliers. In FY22, scope 3 emissions from IKEA products and food arising from Ingka Group sales (89% of IKEA sales) decreased by 12.5% <sup>1</sup> against the FY16 baseline. See IKEA Sustainability Report FY22 for further details of progress against the IKEA goal.
<b>Striving for zero waste and becoming circular</b>		
Reduce our operational waste and strive to recycle 100% of waste generated in our operations by 2030.	<div><div></div><div></div><div></div><div></div></div> <div>[ ON TRACK ]</div>	In FY22, we recycled 75.7% of waste (FY21: 75.0%). Although our recycling rate remained stable over the year, our waste reduction initiatives have helped to reduce total waste by 9.5% in FY22 compared with FY21, and by 13.1% from FY17 <sup>2</sup> .
Reduce production food waste by 50% by the end of 2021, compared with FY17 <sup>3</sup> .	<div><div></div><div></div><div></div><div></div></div> <div>[ ACHIEVED ]</div>	We reduced production food waste from our IKEA stores by 50% by 31 December 2021 (and by 57.8% by the end of FY22), compared with FY17. This target covers production food waste, which is the waste from our IKEA food service areas before the food is sold to our customers <sup>4</sup> .

See our Better homes section (page 19) for our targets on inspiring and enabling a better, more sustainable life at home. These cover clean energy services and how we are supporting customers on circular living.

<sup>1</sup> The data covers scope 3 emissions arising from Ingka sales of IKEA products, including supply chain emissions from the sourcing of raw materials, manufacturing, and transport of products as well as the use and disposal of IKEA products and food. See page 68 for our total scope 3 emissions, which also includes scope 3 emissions from Ingka Centres and other activities. <sup>2</sup> We measure progress from FY17 since data for FY16 included estimates. <sup>3</sup> This target deadline was extended to 31 December 2021 from our original goal of 31 August 2020. We have reported progress in our FY22 Report since the target deadline of 31 December 2021 falls within our FY22 financial year period (1 September 21 – 31 August 22). <sup>4</sup> Our performance also exceeds the Inter IKEA target to achieve a 50% reduction by the end of 2022, compared with FY17. The Inter IKEA target is a target for operational food waste for all franchisees (see further details of the Inter IKEA target in the IKEA Sustainability Report FY22).



# 1. Becoming Climate Positive

The IKEA vision is to create a better everyday life for the many people. Climate change threatens this for people today and for generations to come.

Around the world people are increasingly experiencing the effects of climate change through severe weather and natural disasters like heatwaves, floods and fires. We must act now, while securing a transition to a net-zero economy that is fair and equitable to all. We have a big responsibility – and many opportunities – to make a positive difference on climate change.

which were developed in line with a 1.5°C pathway, were approved by the Science Based Targets initiative (SBTi) in 2018. We aim to update our targets in FY23 in alignment with the new Net Zero standard and submit them to the SBTi for validation.

We have integrated climate-related matters into our governance and have a climate positive taskforce to oversee climate action across our three businesses, IKEA Retail, Ingka Centres and Ingka Investments (see page 99 for more on sustainability governance). We track the performance of our operations on a monthly basis. Our climate data and progress against targets are subject to external assurance (see page 144 for details of the assurance).

## Our approach


We are committed to taking action on climate change in line with the Paris Agreement<sup>1</sup>, and to play our part in limiting the global temperature rise to 1.5°C above pre-industrial levels. At Ingka Group, we contribute to the IKEA commitment to become climate positive by 2030 (see box on page 66) and net-zero across our value chain by 2050 at the latest.


We work towards net-zero by setting science-based targets that cover our scope 1, 2 and 3 emissions<sup>2</sup>. Our initial science-based targets,



### CDP Climate Change

Ingka Group participate in the annual CDP Climate Change survey. We achieved a leadership score of A in the 2022 assessment.

 See Ingka Group's full CDP Climate Change response.

 Read more on CDP

<sup>1</sup> The Paris Agreement is a legally binding international treaty on climate change adopted at COP 21 in Paris. Its goal is to limit global warming to well below 2°C (preferably 1.5°C), compared to pre-industrial levels. <sup>2</sup> The Science Based Targets initiative (SBTi), which is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature, defines and promotes best practice in science-based target setting; see <https://sciencebasedtargets.org>.

We report emissions in line with the Greenhouse Gas Protocol (GHG) methodology which covers:

- Scope 1 – Greenhouse gas emissions directly from operations that are owned or controlled by us

- Scope 2 - Indirect greenhouse emissions from the generation of purchased electricity, steam, heating, or cooling within our operational control
- Scope 3 - All indirect emissions (not included in scope 2) that occur in our value chain, including both upstream and downstream emissions

See data section (pages 120-136) for detailed climate data including greenhouse gas emissions by country.

Inter IKEA Group is responsible for reducing the climate footprint of the IKEA range offer and supply chain-related activities.

See the [IKEA Climate Report FY22](#) for details.

### How will IKEA become climate positive?

IKEA is committed to becoming climate positive by 2030 by taking action across the IKEA value chain and beyond. This includes a commitment to halving greenhouse gas (GHG) emissions in absolute terms from the total IKEA value chain by 2030, including emissions reduction, carbon removal and storage.

This will be achieved by taking action across three areas:

1. Drastically reducing greenhouse gas emissions.
2. Removing and storing carbon through forestry, agriculture and products. We will explore and improve ways to store carbon through forest and agricultural practices. We will not purchase carbon offset certificates, but ensure that carbon remains stored in our products longer through the circular economy.
3. Going beyond the IKEA value chain to contribute to additional reductions of greenhouse gas emissions in society. We will address a larger climate footprint than our own value chain by collaborating with our customers, suppliers and partners to reduce their total greenhouse gas emissions.

At Ingka Group, we make an important contribution to the IKEA climate positive commitment, by reducing our climate footprint across our value chain (pages 67-75), as well as through initiatives such as investment in renewable energy and forestry that reduce carbon emissions beyond our business and enable the wider transition to a net-zero society (pages 76-77).



### Key changes to our climate data

In FY22 we made a number of changes to our methodology for calculating emissions. One of the key changes is that we have re-assessed our definition of operational control, which forms the basis of our emissions calculations, in line with the Greenhouse Gas Protocol. As a result, energy that is within our operational control but used by tenants (including partners at Ingka Centres meeting places) has been added to our total scope 1 and 2 emissions. These emissions were previously allocated to scope 3. This has increased our scope 1 and 2 climate footprint by 181,102 tonnes of CO<sub>2</sub>e in our FY16 baseline year.

This change recognises the influence and hence the responsibility that we have over the emissions that originate from tenants but are within our control.

See page 120 for further details of our climate data methodology.

# Our total climate footprint (scope 1, 2 and 3)

We have made consistent progress in reducing our total climate footprint, achieving a decrease of 13.6% from FY16 and a decrease of 6.0% from FY21.

Our climate footprint covers greenhouse gas emissions across our own operations (scope 1 and 2) and our upstream and downstream value chain (scope 3). In FY22, our scope 3 emissions accounted for over 98% of our total climate footprint. We have separate targets to drive down emissions across our own operations (see pages 69-72) and value chain (see pages 73-75).

The chart (below - left) shows our climate footprint in relation to business growth and the chart (below - right) shows our climate footprint at each stage of the value chain. The 13.6% overall reduction in our climate footprint

from FY16 to FY22 was achieved against a 24.2% increase in revenue. The revenue in the past year was impacted by high inflationary pressures and IKEA Retail supply-chain disruption. The decrease in our climate footprint in FY22 compared to FY16 is primarily due to:

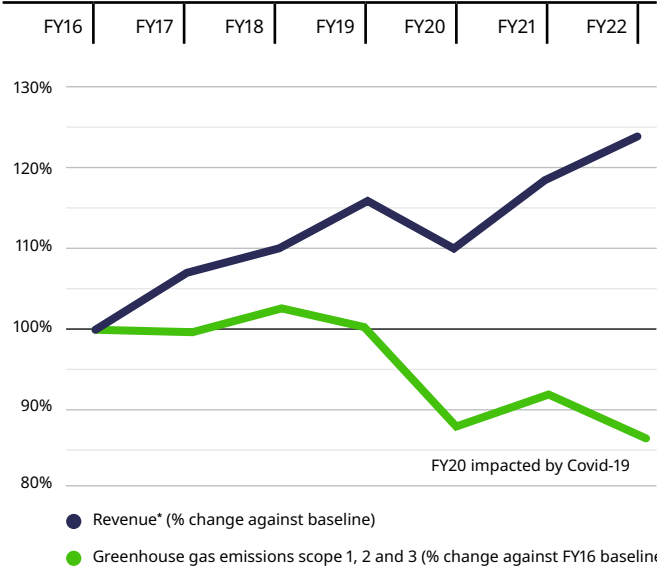
- a higher share of renewable energy across the value chain
- a reduction in greenhouse gas emissions from IKEA products used at home. The emission decrease is mainly due to a reduction in sold volumes of energy intensive products

like lighting and home appliances but also improved energy efficiency of those products (see page 22)

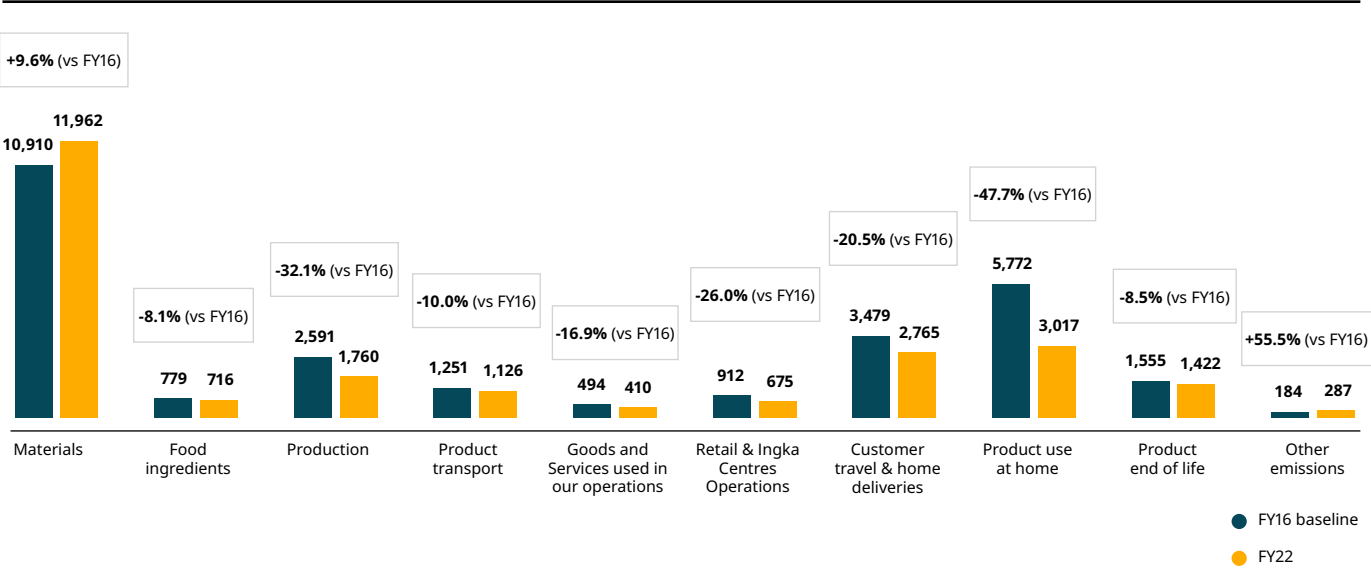
- reduced emissions from customer travel (see page 73)

The absolute climate footprint of materials used in IKEA products sold by Ingka has increased by 9.6% from FY16 and Inter IKEA is working to address this. See more in the Inter IKEA Climate Report.

Our climate footprint (scope 1, 2 and 3) vs business growth (percentage of FY16 baseline emissions)



Our climate footprint FY22 (thousand tonnes CO<sub>2</sub>e)



<sup>1</sup> Total revenue as per Annual Reports



### Summary of progress – absolute climate footprint

- Our scope 1 emissions decreased by 12.5% from FY21, but are still 9.5% higher than our FY16 baseline. The decrease in FY21 has been mainly due to an increase in biogas heating. Faster roll out of heat pumps is required to further decarbonise our heating (see page 72 for further details).
- Our scope 2 emissions decreased by 28.0% from FY21 and by 44.6% from FY16. This has been driven by an increase in renewable electricity consumption (see page 70 for further details).
- Our scope 3 emissions decreased by 5.6% from FY21 and by 13.1% from FY16. This reduction is primarily due to:
  - a higher share of renewable energy across the value chain
  - a reduction in greenhouse gas emissions from IKEA products used at home. The emission decrease is mainly due to a reduction in sold volumes of energy intensive products like lighting and home appliances but also improved energy efficiency of those products (see page 22)
  - reduced emissions from customer travel (see page 73)

We recognise that more significant reductions are needed in the coming years to achieve the IKEA climate positive commitment.



### Our climate footprint<sup>1</sup>

(tonnes CO<sub>2</sub>e)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Scope 1	152 107	173 867	191 500	180 051	172 059	190 435	166 574*
Scope 2	520 430	495 755	506 956	491 684	429 434	400 656	288 440*
Scope 3	27 253 724	27 052 552	28 109 542	27 311 702	24 018 659	25 076 444	23 683 784**
<b>TOTAL scope 1, 2 &amp; 3</b>	<b>27 926 261</b>	<b>27 722 174</b>	<b>28 807 998</b>	<b>27 983 437</b>	<b>24 620 152</b>	<b>25 667 535</b>	<b>24 138 798</b>

<sup>1</sup> We have reviewed and updated our methodology for allocating scope 1, 2 and 3 emissions to align with the operational control approach set out in the Greenhouse Gas Protocol (see methodology section on page 120 for further details). Therefore, our data has been updated for all years.  
\* Data included in the external assurance scope.    \*\* The scope of our external assurance for scope 3 data covers the greenhouse gas emissions within Ingka Group's operational control (including all data reported under the scope 3 categories 2, 3, 5, 6, 7, 8, 9, 13 and part of the data reported under category 1 - the emissions arising from products and services purchased by Ingka Group Procurement for our operations). These account for 15.4% of our total scope 3 emissions.



# 1.1 Climate footprint: our operations

We achieved a 23.0% absolute reduction in our operational climate footprint (scope 1 and 2) from FY21 and a 32.3% reduction from our baseline of FY16.

Our climate footprint from our operations (scope 1 and 2 emissions) accounts for 1.9% of our total climate footprint and includes emissions from energy use (1.7% of our total climate footprint), refrigerants and company-owned vehicles. We are working to reduce our scope 1 and 2 climate footprint by reducing energy consumption through energy efficiency initiatives and by decarbonising our energy consumption by switching to renewable energy for power, heating and cooling.

## How did we do in FY22?

A significant increase in renewable electricity has contributed to a decrease in our overall climate footprint (see chart). As a result, our scope 2 emissions have decreased by 28.0% from FY21 and by 44.6% from FY16 (see further details on renewable electricity on page 70).

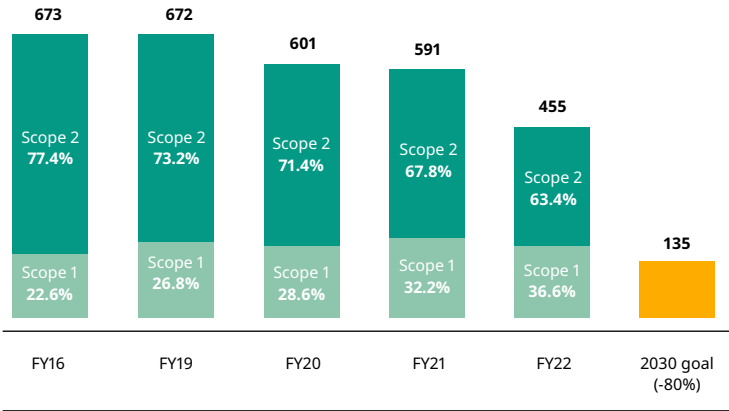
Our scope 1 emissions also decreased by 12.5% from FY21, which is mainly due to an increase in biogas heating (which has a lower climate footprint). However, our scope 1 emissions are still 9.5% higher than our FY16 baseline and we therefore need to scale up initiatives to decarbonise heating and cooling (see further details on page 72).

Our data section includes performance by business unit (page 123) and country (pages 130-135).

• **Summary of progress by business unit (scope 1 and 2):** Since FY16, we have reduced emissions by 40.6% in IKEA stores and 29.5% in Ingka Centres meeting places (which includes energy used in common areas and energy used by tenants where we are responsible for the energy contract\*). However, emissions have increased by 11.5% in our distribution centres. The increase in online shopping has led to a rapid expansion in our distribution centres, and some of the new units and existing units have not yet switched to renewable electricity contracts and are using gas for heating. In some cases, this is because the buildings are leased.

• **Summary of country progress:** We reached 100% renewable electricity across our retail sites and meeting places in 26 countries in FY22 (23 countries in FY21). We achieved our biggest emissions reduction in China which purchased 89% of electricity from renewables. We are planning new renewable electricity contracts in Australia and part of India which will start next year.

Climate footprint – our operations (scope 1 and 2)  
(thousand tonnes CO<sub>2</sub>e)



\* We have increased the boundaries of our scope 1 and 2 data to include energy used by tenants that is within our operational control; see page 120 for further details of our climate data methodology.

Improving energy efficiency

Improving energy efficiency is a key action on our journey to become climate positive. Although we have expanded our floor space since FY21, our initiatives to improve energy efficiency have enabled us to broadly stabilise energy use from FY16.

We have annual energy action plans for every building. Actions we are taking to improve energy efficiency include switching to LED lighting, upgrading building management systems, improving insulation and using energy recovery from heating and cooling. We have expanded our smart metering programme which gives store managers access to next generation analytics and insights about energy use and potential savings in near real time.

Although we report total energy consumption, we do not yet report energy efficiency relative to floor space. This is due to inconsistencies in the way that gross building area is calculated in some countries. We will continue to work to improve our data collection systems in this area.

Powered by renewable electricity

We’re aiming to consume 100% renewable electricity across all the countries where we operate by 2025. In FY22, 74.2% of the electricity we used was from renewable sources (69.1% in FY21\*).

Our use of renewable electricity has contributed to a 68.6% reduction in our climate footprint from purchased electricity. We reached 100% renewable electricity consumption across our IKEA stores and Ingka Centres meeting places in 26 countries in FY22 (23 countries in FY21) and significantly increased the amount of renewable electricity consumed in China in FY22.

We have installed over 1 million solar panels at our sites including our store in Tianjin Dongli in China which now has enough solar panels to generate 100% of its electricity (see case study page 71). In FY22, 6.1% of Ingka’s electricity consumption was generated on-site.

We also secure renewable electricity from off-site generation. Ingka Investments has invested or committed EUR 3.1 billion in renewable energy since 2009 and aims to invest EUR 6.5 billion by 2030. These off-site investments in wind and solar projects provided 35.9% of the electricity used in our operations in FY22, enabling us to reduce our own value chain climate footprint and also contributing to wider greenhouse gas reductions in society. We aim to expand our renewable energy portfolio into more countries, including markets where renewable energy is less accessible. This will help us increase our

use of renewable energy and support a broader transition in society. See page 92 on Ingka Investments for more details.

If on-site and off-site approaches aren’t possible, we purchase renewable electricity from a supplier that can guarantee the renewable source with renewable attribute certificates. This can help increase market demand for renewable electricity.

We continue to trial new technologies and tools to help us maximise our use of renewable energy and enable new flows of renewable electricity from our generating sites to our operations.

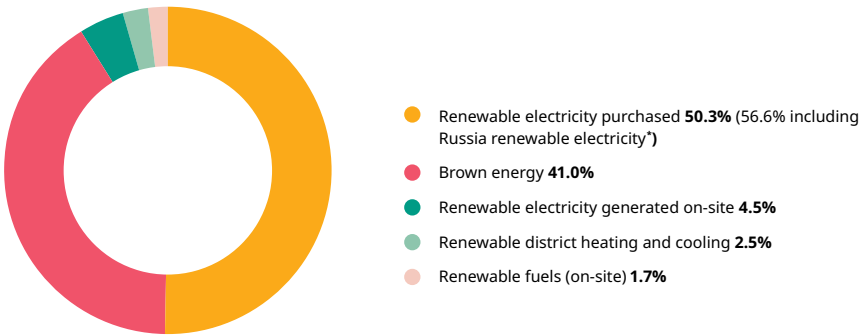
Renewable electricity in our operations

(percentage of total energy use)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Renewable electricity in our operations	54.0%	55.2%	56.2%	57.3%	58.8%	69.1%	74.2%

\* In our report last year, we reported 76.1% of electricity from renewable sources in FY21. This has been updated due to changes in our methodology for calculating emissions (see page 120 for details).

Energy use by source in FY22  
(percentage of total energy use MWh)



IKEA’s first energy-positive store

The Tianjin Dongli IKEA store in Northern China will be our first store to generate 100% of the electricity it needs. Over 22,400 m² of solar panels have been installed which will provide the store with 100% renewable electricity – with extra electricity exported back into the city’s power grid. The store has quadrupled the space available to install solar panels by mounting them on large awnings across the car park.

“I’m so proud that our Tianjin Dongli store will become the first energy-positive store for IKEA,” says Jasmine Chi, Area Manager. “It’s also a big step towards the IKEA commitment to consume only renewable electricity by 2025.”





Renewable heating and cooling

We are aiming for renewable heating and cooling systems in all our own buildings by 2030\*. We are working to install renewable heating technologies in our new and existing buildings. We prioritize electrification of heating by using ground and air-source heat pumps over other solutions. In some locations, we are changing from natural gas to biogas e.g. in Germany, we secured a long term biogas contract, where the share of biogas in the fuel mix is increasing each year.

We installed renewable heating and cooling at all 11 new sites opened in FY22, where we own the building or have operational control of the heating and cooling contracts. We also replaced gas heating systems with heat pumps in units in Evry in France and Adelaide and Rhodes in Australia. The majority of our cooling systems use electricity and are therefore covered by our target for 100% renewable electricity (see previous section).

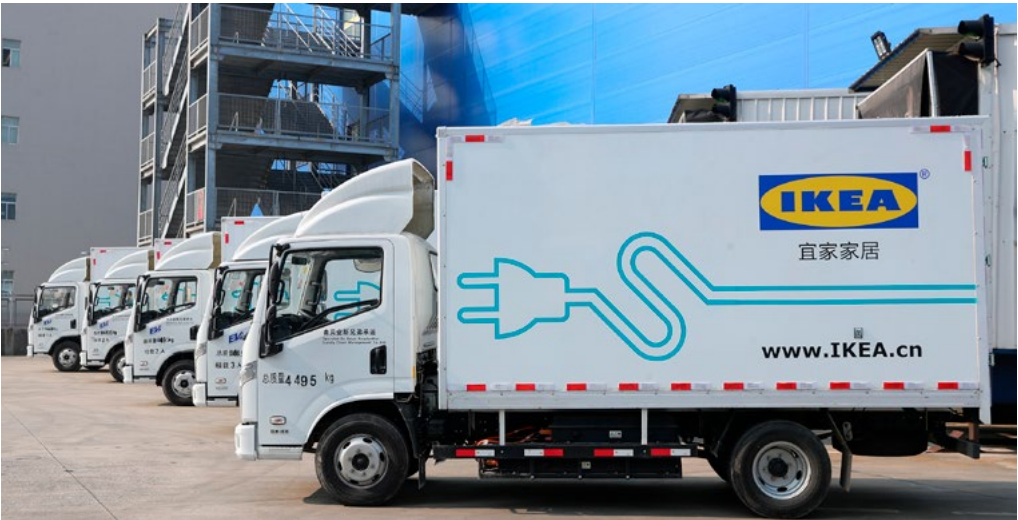
In FY22, greenhouse gas emissions related to heating and cooling decreased by 13.1% year on

year but are still 3.6% above our FY16 baseline. In the coming years, we aim to improve our performance by implementing further energy efficiency measures and converting more of our buildings to renewable heating and cooling. Retrofit projects typically take time from planning to implementation and will not always yield results in the form of reduced emissions within one reporting cycle. However, we anticipate these measures will drive down emissions.

We use refrigerants in our cooling and heating systems. Usage of refrigerants will increase with the roll out of heat pumps. We aim to use refrigerants with a lower global warming potential, and we are improving maintenance and lifecycle management to reduce leakages of refrigerants into the atmosphere.

Vehicles used in our operations

We aim for all company owned, leased and shared vehicles used in our operations to be zero emission by 2025. This includes company cars, pool cars (for business travel) and forklift trucks/shunting trucks. We require all new vehicles to be zero emission or electric wherever feasible and have started to use fleet management services to track the transition towards zero emissions vehicles.



\* Our renewable heating and cooling target covers scope 1 fuels for heating and scope 2 district heating and district cooling. It excludes refrigerant gases used in cooling systems and fridges/freezers. Our separate target on renewable electricity covers scope 2 electricity used for heat pumps.

# 1.2 Climate footprint: travel and home deliveries (scope 3)

11.5% of our climate footprint is from customer and co-worker travel and home deliveries. This includes emissions from customers travelling to our stores, co-worker business travel and commuting, and the last-mile delivery of IKEA products to customers' homes.

## How did we do in FY22?

We want to be part of creating the net-zero cities of the future, with clean air and convenient and affordable zero emission transport.

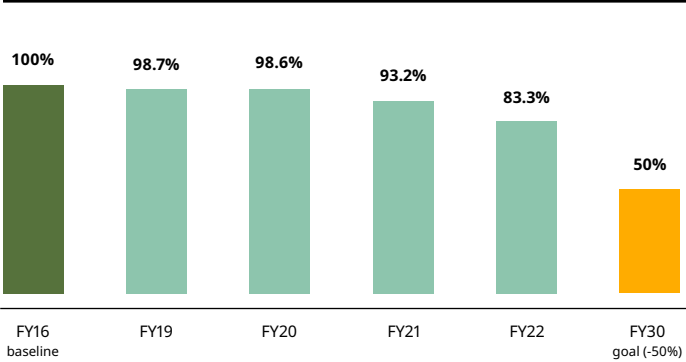
Our target is to reduce relative greenhouse gas emissions from customer and co-worker travel and home deliveries by 50% per person by 2030 (from FY16). We have achieved a 16.7% reduction in relative emissions from our FY16 baseline and a 10.7% reduction from FY21<sup>1</sup>. This has been mainly due to our expansion in city centres, which has made our stores and meeting places more accessible and reduced the average journey time for customers and co-workers.

We have also achieved a 20.5% reduction in absolute emissions from customer and co-worker travel and home deliveries from FY16 and a 0.6% reduction since FY21 (see data on page 128). In addition to shorter journeys, the number of journeys made by our customers to stores has decreased from FY16 as as more online shopping possibilities are available (see page 114 for customer data). We are also working to reduce the climate impact of home delivery by switching to zero emission vehicles (see next section).

We updated our methodology for calculating scope 3 emissions from transport and have updated data for previous years (see more about our data methodology on page 120).

## Relative greenhouse gas emissions from home deliveries, customer travel and co-worker travel<sup>2</sup>

(percentage of FY16 baseline emissions)



## Zero emission home delivery

We aim for all retail home deliveries to be made by zero emission vehicles by 2025. In FY22 we reached 12.3% (compared to 11.0% in FY21). Our progress was impacted by difficult market conditions, including a lack of availability of electric vehicles and delays in receiving orders placed for new vehicles. By the end of FY23, we anticipate that we will have a total of over 2,300 zero emission vehicles (up from 700 in FY22) – accounting for almost half of our total fleet.

Our total greenhouse gas emissions from home delivery have increased by 64.2% from FY16 and by 3.5% from FY21. This has been largely due to an increase in customer demand for home

delivery as more customers use online shopping (see page 114) and has also resulted in a decrease in emissions from customer travel (see previous section). Our data on home delivery excludes small parcels, but we are continuously working to improve the completeness of our scope 3 data.

In each country we have a dedicated project implementation manager working on zero emission home delivery, supported by a Group team. We have now partly deployed zero emission delivery in 24 countries (FY21: 22) and achieved 100% emission-free home delivery in 15 cities including Amsterdam, Vienna, Glasgow, Nice, Oslo, Shanghai and nine other major cities in China. We aim for a further 19 cities to be 100% emission-free home delivery by the end of FY23.

<sup>1</sup> We measure emissions per trip rather than per person. <sup>2</sup> The emissions are calculated relative to the number of trips taken. We updated our methodology for calculating scope 3 emissions from transport and have updated data for previous years (see more about our data methodology on page 120).

Ingka Investments has made a number of investments in sustainable logistics companies that provide emission-free home deliveries (see page 94 on Ingka Investments).

**Reducing the climate footprint of customer and co-worker travel**

Greenhouse gas emissions from customer and co-worker travel decreased by 27.0% from FY16,

despite a 31.9% increase in the number of co-workers and a 24.2% increase in sales (see page 88 for further details).

We aim to help customers switch to sustainable modes of transport by providing electric vehicle (EV) charging stations in all stores worldwide (where parking is provided). We aim to significantly expand our EV charging networks by installing an additional 5,000 charging points by FY24, including 1,000 in Norway, Denmark

and Sweden. We aim to increase the use of renewable electricity for charging whilst adding more EV chargers.

Greenhouse gas emissions from business travel (by road, rail and air) have decreased by 80.5% from FY16. This significant reduction is mainly due to less air travel as co-workers switch to online meetings. In some countries, we have initiatives to reduce greenhouse emissions associated with co-worker travel, including

car-pooling, shared electric bikes and subsidised public transport tickets.





# 1.3 Climate footprint: IKEA products and food (scope 3)

The majority of our climate footprint is associated with the products we sell, the IKEA range. This includes supply chain emissions from the sourcing of raw materials, food ingredients, production and product transport and emissions associated with customer use of products and product end of life. Together these scope 3 emissions accounted for 82.9% of our total emissions in FY22.

## How did we do in FY22?

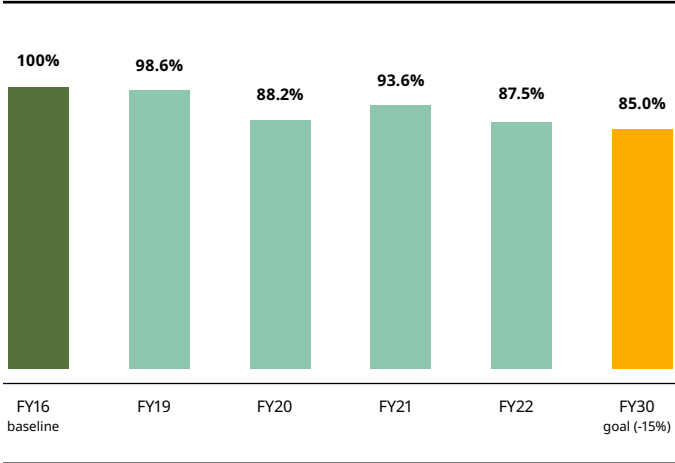
Inter IKEA Group, which supplies the IKEA range, has committed to reduce absolute emissions from home furnishing products and food by at least 15% by 2030 (from FY16). At Ingka Group, as the largest franchise retailer of IKEA products, we are committed to help achieve this target by making sustainable living accessible and desirable to customers. For example, we are doing this by:

- working to inspire and enable a more sustainable life at home by promoting energy efficient and energy saving products to customers and those made using renewable and recycled materials (see page 20).
- enabling customers to use IKEA home furnishing products for longer through circular services (see page 23), as well as reducing our product waste (see page 81).
- providing vegetarian and plant-based food options such as veggie hot dogs and plant balls (see page 27).
- providing renewable energy and recycled materials to some IKEA suppliers to enable them to reduce the climate footprint of products and services they supply to us.

In FY22, Ingka Groups scope 3 emissions arising from sales of home furnishing products and food (89% of total IKEA sales) decreased by 6.5% from FY21 and by 12.5% from FY16. This reduction is primarily due to a higher share of renewable energy across the value chain and a reduction in greenhouse gas emissions from IKEA products used at home. The emission decrease from products used at home is mainly due to a reduction in sold volumes of energy intensive

products like lighting and home appliances but also improved energy efficiency of those products (see page 22). See IKEA Climate Report FY22 for details of actions taken to reduce the climate impact of the IKEA range.

Greenhouse gas emissions from products and food – scope 3\*  
(percentage of FY16 baseline emissions)



\* The data covers scope 3 emissions arising from Ingka Group sales (89% of total IKEA sales), including supply chain emissions from the sourcing of raw materials, manufacturing, and transport of products as well as the use and disposal of IKEA products and food by our customers

## 1.4 Reduction beyond the value chain

As well as the changes we're making in our own business, we want to go beyond IKEA and help to accelerate the transition to a net-zero society.

### Working with partners at Ingka Centres

We are encouraging partners at our Ingka Centres meeting places to adopt science-based targets and are also enabling them to reduce their climate footprint through our actions such as purchasing renewable electricity (where we have operational control) and providing EV charging.

### Investing for a net-zero society

Creating a sustainable future is one of our three strategic priorities for Ingka Investments alongside financial resilience and business development. We support the transition to a net-zero society by investing in projects in areas such as renewable energy generation, zero emissions deliveries, circular flows and forestry. Ingka Investments has invested and committed EUR 3.1 billion in renewable energy since 2009 and aims to invest EUR 6.5 billion by 2030. See page 92 for further details on Ingka Investments.

### Clean energy services

We're making it easier and more affordable for our customers to use and produce renewable energy, supporting the transition to a net-zero society. We offer a portfolio of clean energy services in partnership with different service providers to meet the needs of a range of customers (see Better homes section on page 23 for further details).

### Advocacy and partnerships

As a multinational business committed to 1.5°C, we believe that we can use our size and reach to help accelerate climate action by working together with our partners, governments and the private sector. Together, we can create a fairer and more equal net-zero world with green jobs and more sustainable growth.

We believe that climate actions and investments from businesses in line with 1.5°C provide governments with the necessary backing to implement more ambitious climate targets, plans and actions. These government targets, policies and plans in turn provide clarity, predictability and a level playing field that will encourage more businesses to take or increase climate action and make investments in line with 1.5°C.

It is important that the actions taken are based on scientific evidence showing a positive impact on people and planet. Businesses are most efficient when operating in a global market with harmonised standards and legislation.

See more on our [climate change advocacy](#).

Collaborations in FY22 include:

- Our CEO Jesper Brodin is co-chair of the WEF Alliance of CEO Climate Leaders.
- Our Climate Leader Karol Góbczynski is a member of the Net-Zero Science Based Targets initiative Experts Advisory Group, as well as a member of the RE100 Advisory Committee.
- We joined the steering group of the Asia Clean Energy Coalition (ACEC) in 2022.



- We partner with a number of other retailers (H&M Group, Kingfisher plc, Walmart and Best-Buy) on the Race to Zero Breakthroughs: Retail Campaign. This aims to create and accelerate a movement in the retail industry to drive climate action.
- We are a member of the UK Net Zero Roadmap for Retail developed by the British Retail Consortium.
- We have endorsed the Marrakech Partnership for Global Climate Action Pathway for the retail sector.
- We are members of RE100 (which we co-founded in 2014) and EV100 (which we co-founded in 2017).

- We participate in the We Mean Business Coalition, a global coalition working to take action on climate change.
- We are a C40 partner, a network of nearly 100 of the world's leading cities committed to take bold climate action. The focus is on three projects: zero emissions, clean construction and reinventing cities.

Together with our partners, we have supported the following advocacy initiatives in FY22:

- Ingka Group was proud to be a partner at COP26 (see case study).
- Inter IKEA Group and Ingka Group signed the We Mean Business Coalition open letter to G20 Leaders urging them to go all in to keep the Paris Agreement's 1.5°C goal within reach.

- Ingka Group signed the COP26 declaration on accelerating the transition to 100% zero emission cars and vans.
- Ingka Group signed the EV100 letter to key EU legislators calling for increased ambition in transport-related legislation.
- Ingka Group signed an open letter on the EU proposal for a Corporate Sustainability

Reporting Directive. Addressed to EU institutions, the letter supports mandatory reporting on carbon emissions and transition plans for more than 50,000 companies.




**'Assembling our Future': Ingka presents message of optimism at COP26**

Ingka Group was proud to be a Partner of COP26, the United Nations Climate Change Conference held in Glasgow in November 2021, which brought together world leaders to negotiate agreements for a net-zero future. During the two weeks, we held 45 meetings with key leaders and decision makers and participated in 41 speaking opportunities to show how we as a business are committed to reducing our greenhouse gas emissions in line with climate science.

At the New York Times Climate Hub in Glasgow, we hosted the third edition of our ONE HOME, ONE PLANET event, bringing together businesses and civil society organisations to promote collaboration and inspire climate action.

We also joined forces with London based creative studio Superflux to create an exhibition 'Assembling our Future'. This showcased and brought to life examples of climate action across our business, from minimising food waste through use of AI to how IKEA provides solutions to reduce energy use at home. As governments met to negotiate climate goals and actions, we wanted to demonstrate that many of the climate solutions needed already exist. To engage our co-workers, we also created an educational booklet, an 'Assembly Guide for a Better Future', to help inspire our co-workers to take action on climate change.

After the event, we also worked with partners and the local council to find new homes for the furniture we donated for the conference. We donated 5,000 individual items to 58 charities including those that support children, asylum seekers and people experiencing homelessness.

 [Read more online](#)



## Climate risks and net-zero opportunities

At Ingka Group, we assess our climate-related risks and net-zero opportunities, in line with the methodology developed by the Taskforce on Climate-related Financial Disclosure (TCFD).

Understanding the impact of climate change on our business and the costs of mitigating actions and capturing net-zero transition opportunities is of the utmost importance to us.

Our first TCFD disclosure was published in FY19 and this was updated in FY21. A further update is planned. Read more about climate risk and net-zero opportunities [here](#).

We have also set up a Taskforce on “Building Resilience” to improve our understanding of external factors that may impact our business. Climate change is one of four key focus areas for the Taskforce. We have created multiple climate scenarios looking into different aspects to increase the climate resilience of Ingka Group.

### Our approach to managing climate-related risks and net-zero transition opportunities

- ▶ **Governance** We have integrated climate-related matters into our governance ([see page 99](#)). Our Climate Taskforce coordinates the integration of climate-related matters at a strategic and operational level.
- ▶ **Strategy** As the largest IKEA retailer, we contribute to the IKEA climate positive commitment. We assess climate-related risks and decarbonisation opportunities and use the findings to influence strategies and short- and medium-term business planning ([see above](#)).
- ▶ **Risk management** Climate-related risks are integrated into the Ingka Group risk management framework ([see page 101](#)).
- ▶ **Metrics and targets** We've set ambitious science-based targets to reduce our scope 1 and 2 emissions in absolute terms and to reduce relative emissions from our indirect (scope 3) travel and transport footprint. IKEA has set science-based targets to reduce emissions in absolute terms for the IKEA product range. We regularly track climate change metrics. See Progress against targets ([see page 63](#)).





## 2. Becoming a circular business

Today, across the world, resources are being used at an unsustainable rate, faster than they can be renewed. Yet many valuable resources are wasted, or used just once before being discarded.

One of the key ways this can be addressed is through a circular economy – where resources are continually reused, regenerated and recycled in a sustainable way.

### Our approach

Ingka Group are contributing to the IKEA commitment to become a circular business by 2030 (see box). This will impact the whole business including day-to-day operations and the products and services offered to customers.

At Ingka Group, over half of our climate footprint comes from raw materials, production, waste in our operations, and product end of life, so becoming a circular business and reducing waste will help us reach our ambitious climate goals (see page 65). More efficient use of resources can also reduce costs for our business and enable customers to save money.

### Our contribution to a circular IKEA

The IKEA ambition is to become a circular business by 2030. At Ingka Group we are contributing by:

- **Providing services that enable circular behaviour and exploring circular resource flows.**
- **Switching to renewable, recycled and/or recyclable materials in our operations.**
- **Reducing waste and water use.**

This section of our report covers our progress on sustainable materials, waste and water. The Better homes section covers our progress on products and services for circular living (see page 23). The Ingka Investments section covers investments in circular services (see page 95).

Inter IKEA Group is responsible for integrating circular design principles into the IKEA range, including using more renewable and recycled materials in products, and designing products to be repurposed, repaired, reused and recycled. See further details in the [IKEA Sustainability Report FY22](#).

## 2.1 Buildings and operations

We prioritise actions to prevent, reduce, reuse and recycle waste – landfill is always the last resort. Some waste is incinerated for energy recovery.

Most of the waste we produce comes from our IKEA Retail operations, and the majority of it is packaging material. The rest includes product waste from damaged products, food waste from our restaurants and cafés and a small amount of other waste.

We have a Zero Waste Working Group to help us improve performance on waste (including operational waste, product waste and food waste) and drive circular resource flows. This brings together co-workers from our IKEA Retail and Ingka Centres operations, and our sustainability, facility management, procurement and product recovery functions. Monthly progress is tracked for each country. We also calculate the greenhouse gas

emissions associated with our waste for our climate footprint.

### Operational waste

We aim to reduce our operational waste and strive for 100% recycling of waste generated in our operations by 2030.

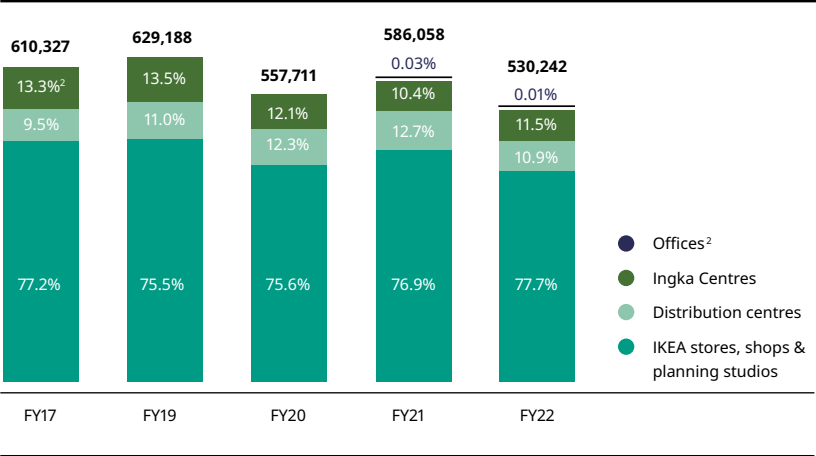
Our waste reduction initiatives have helped to drive down total waste by 9.5% in FY22 compared with FY21. Since FY17, we have cut total waste generated by 13.1%<sup>1</sup> (see chart on total waste).

In FY22, we recycled 75.7% of waste (75.0% in FY21). The recycling rate varies across our

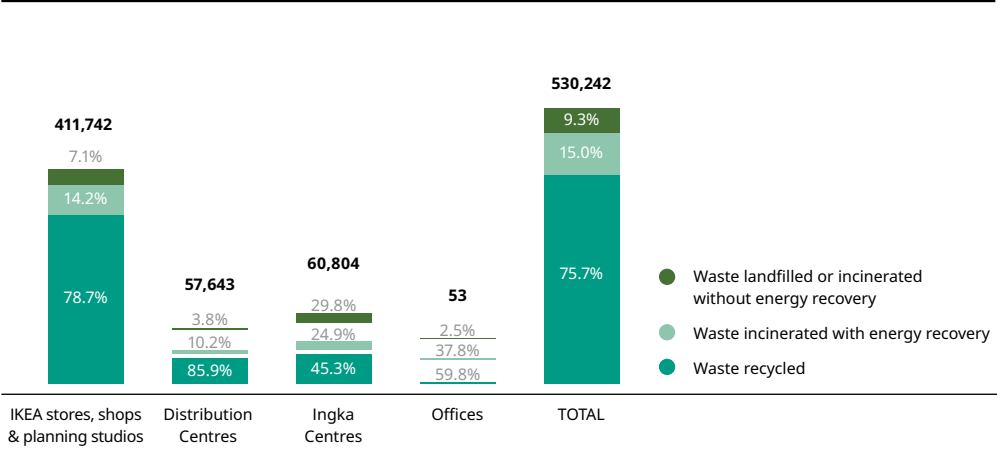
business units (see chart on waste disposal by business unit), being highest at our Distribution Centres and lower at Ingka Centres. During FY22, the recycling rate increased at Ingka Centres (from 38.6% in FY21 to 45.3% in FY22), but remained stable at IKEA Retail and slightly decreased at our Distribution Centres. This resulted in an overall 0.7% increase in recycling.

We are committed to developing our plans to both reduce waste and increase our recycling rates in line with our 2030 target. In particular, at Ingka Centres meeting places, we need to find ways to encourage consumers to segregate waste for recycling and focus on increasing the recycling rate in countries where there is a lack of recycling infrastructure.

Total waste produced by business unit<sup>1</sup> (tonnes)



Waste disposal by business unit FY22 (tonnes)



<sup>1</sup> We measure progress from FY17 since data for FY16 included estimates. <sup>2</sup> Data for offices was collected for the first time in FY21.



Construction waste

We also generate waste from construction of new stores, Ingka Centres, and other building projects. We collected Group-wide data on construction waste for the first time in FY22, which provides a baseline for future reporting. We have also included emissions from construction waste within our scope 3 climate impact (category 5). We will work to further enhance our data collection methodology and will include data on the different waste treatment methods in future reporting.

Product waste

Some of our products are returned by customers, discontinued or damaged in transit before they reach our stores or on the way to customers' homes. We recover as many of these products as possible to give them a second life and stop them being wasted. In FY22, we gave 42.6 million products a second life, with 32.5 million sold via our As-is areas and more than 10 million repacked and sold in other areas (see page 23 for further details).

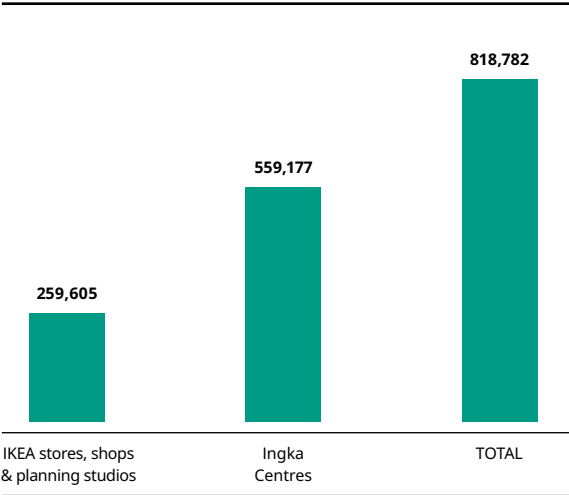
We are also investing in services to support the circular economy. For example, Ingka Investments has invested in Dutch based mattress recycling business RetourMatras. In Europe, consumers dispose of an estimated 40 million mattresses every year, most of them ending up in landfills or incinerated. We want to make sure these resources don't go to waste. RetourMatras recycles almost 1 million mattresses per year in the Netherlands. In FY22, RetourMatras invested in UK based mattress recycler The Furniture Recycling Group, enabling

them to grow their dismantling capacity to 1.5 million mattresses in the UK.

Food waste

We serve meals to over 600 million customers each year through our restaurants, cafés and bistros and we've made reduction of food waste a priority. We achieved our goal of a 50% reduction by 31 December 2021 (see progress against targets on page 64) and reduced food waste by 57.8% by the end of FY22 (from FY17). The reduction in food waste from FY17 is equivalent to the food used in 20 million meals and 36,000 tonnes of CO<sub>2</sub>e avoided.

Construction waste by business unit FY22 (tonnes)



We have driven down food waste through use of innovative technology. More than 20,000 IKEA food co-workers have been trained to use a hi-tech food waste scale and analytics solution, developed by Winnow Solutions. This uses artificial intelligence (AI) to recognise and track what has been discarded. Daily reports enable our co-workers to identify sources of waste and make substantial savings. Ingka Investments has a minority investment in Winnow and we had installed the system in 392 stores by the end of FY22, up from 364 stores in FY21.

We are also working with Too Good To Go to make surplus food from IKEA food outlets available via the Too Good To Go app. Customers

reserve and collect a 'Magic Bag' of surplus food at a discounted price, saving it from going to waste. In FY22, we worked with Too Good To Go across 11 countries (Austria, Belgium, Denmark, France, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland and the UK), helping to prevent more than 126,700 meals from being wasted. These types of partnerships can also support customers struggling during the cost of living crisis.

We are committed to further reducing food waste and to also support customers to reduce food waste.

Water use

We aim to use water efficiently in our business and are integrating water-saving technologies into the design of new sites. Our water efficiency measures apply to all our buildings, and we integrate additional measures at our locations in water stressed areas.

Water use increased by 6.8% in FY22 compared to FY21 due to visitor numbers increasing after Covid closures ending. We are working to step up our efforts to minimise water use which has also increased by 1.1% compared to our FY16 baseline.

Examples of water saving initiatives include rainwater harvesting and wastewater recycling. For example, the IKEA DongBusan store has installed a rainwater recycling facility, which reduced mains water consumption by 15% in FY22. The IKEA stores in Shanghai Beicai and

Tianjin have put in place wastewater recycling systems that help to conserve water.

Partnering with suppliers

Beyond the home furnishing products designed and supplied by Inter IKEA Group, we buy goods and services from thousands of other suppliers, including for construction, delivery, and IT. We aim for all materials purchased for use in our business (including plastics and paper and wood) to be renewable, recyclable, and/or recycled by 2030.

We have policies in place that state all wood and paper purchased for use by our customers (including the IKEA pencil, buying guide and e-commerce packaging) must come from either recycled or Forest Stewardship Council® (FSC®) certified sources. During FY22 we have continued to monitor compliance and take actions on identified gaps.

We aim to extend our sustainable sourcing programme across all wood and paper we purchase by the end of 2025. We have also phased out almost all single-use plastic items in our restaurants, bistros and cafés.

We have worked with Inter IKEA Group to achieve a circular solution for old co-worker uniforms across the EU. Following the introduction of a new style uniform in FY21, we implemented a collection system for any old uniforms, with the aim of recycling the fabric into new IKEA products. We collected around 350 tonnes of fabric by the end of FY22 and this has been sent to Inter IKEA Group suppliers for recycling into new IKEA products, including curtains and cushion covers. We will continue the programme in FY23.

We have worked with a supplier in the US to reduce e-commerce packaging, replacing standard parcel boxes with packaging tailored to each individual product. This has substantially reduced the volume of packaging materials used and reduced both packaging and transport costs since more parcels can now be delivered per vehicle. We plan to implement this solution across the US during FY23 and are exploring similar opportunities in other markets.

See page 110 for details of our IWAY supplier code of conduct and monitoring programme.

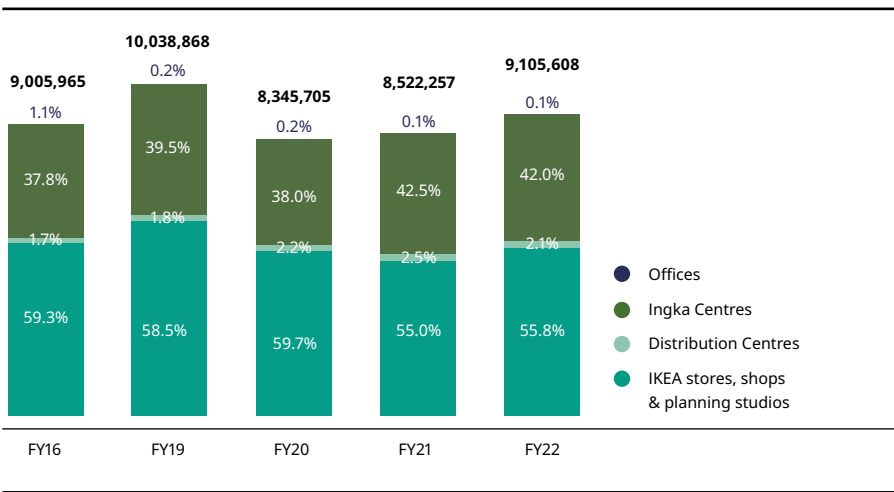
to accelerate action on the Circular Economy Action Plan. We fully support the ambitions laid out in the EU Green Deal and Circular Economy Action Plan and have actively participated in the policy dialogue on how to enable a true circular economy. For example:

- We provided inputs to the EU public consultation on the revision of the **Waste Framework Directive**. We advocated for harmonising extended producer responsibility schemes across Europe and revising the definitions of waste and recycling to support a more circular economy.
- We engaged on the revision of the **Waste Shipment Regulation**, advocating for breaking down administrative barriers when shipping waste to recycling facilities within EU borders in order to create a true single market for recycled raw materials.
- Together with our trade associations we have advocated for harmonising packaging sorting symbols across the EU within the **Packaging and Packaging Waste Regulation**.
- We have supported the work of **Corporate Leaders Group Europe** (CLG) to develop a case studies and policy recommendations on the Digital Product Passport.
- We engage with partners such as the **World Economic Forum CEO Action Group for the European Green Deal** and **World Business Council for Sustainable Development** calling for creating a common framework of circularity indicators and definitions.

Advocacy and working in partnership with others

Ingka Group seek to collaborate with stakeholders, including policy makers, to promote the transition to a circular economy. In 2022 the European Commission continued

Water use by business unit (m³)





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